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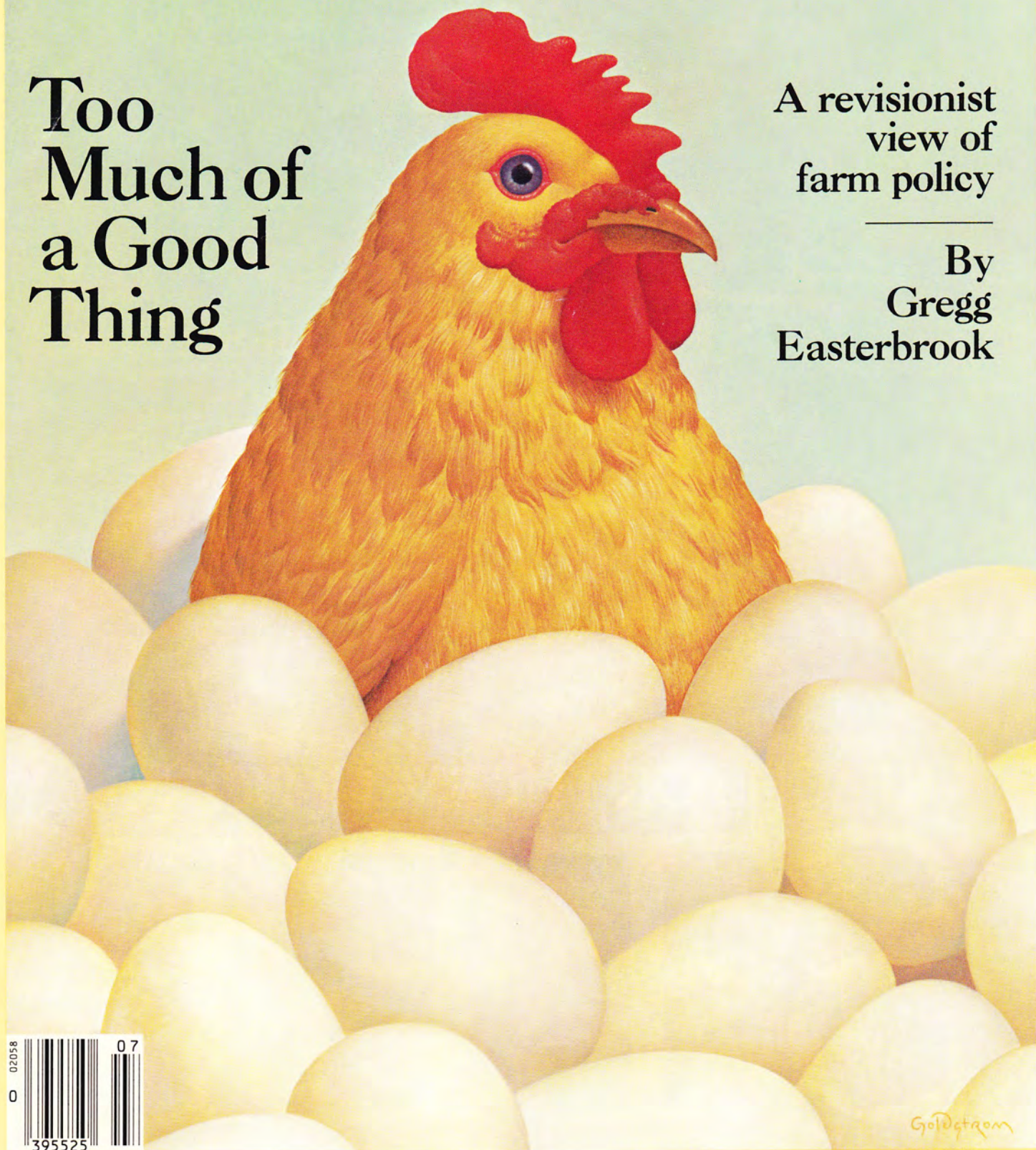
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Too
Much of
a Good
Thing

A revisionist
view of
farm policy

By
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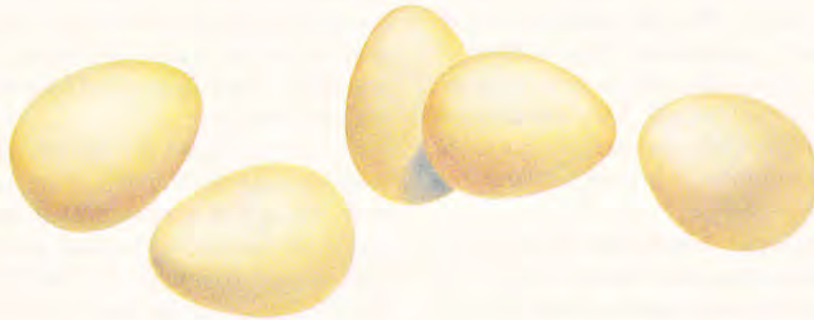
Goldstrom



A revisionist look at farm policy

MAKING SENSE OF AGRICULTURE

BY GREGG EASTERBROOK



AMERICANS ARE INCLINED TO THINK OF A CRISIS AS A shortage, but agriculture is in crisis because of surpluses—too much of a good thing. Farmers in the United States produce more food than their countrymen need or want; and although they do not produce as much as the hungry world needs, they produce far more than it can afford to buy. This has been the case ever since the Depression. Indeed, overproduction was a problem even during the Depression, and it has become unusually pronounced in the 1980s, as many Western countries and even a few developing nations have joined the United States in growing more food than anyone knows what to do with. The result is a tragedy of plenty, which offends many of our deepest convictions about resources, virtue, and the soil. One way or another, most of the confusion in American agricultural policy today arises from our reluctance to accept the idea that growing food is sometimes the wrong thing to do.

Few economic endeavors have any aura of romance and tradition. We don't get misty at the sight of a chain store framed against a prairie landscape or take comfort in knowing that each morning thousands of lawyers head out into the predawn darkness to tend their lawsuits. Farming, though, occupies an honored place in our culture. Even big-city sophisticates who would sooner die than attend a Grange Hall dance find it reassuring to know that somewhere out there honest folk are working the earth much as it has been worked for centuries.

Agricultural industries, from farming itself to the retailing of farm products, constitute the largest sector of the American economy, accounting for 20 percent of the GNP and employing more people than the steel and automobile industries combined. Yet many people find it heartless and

somehow unfair for anyone to speak of farming as an industry subject to the logic of supply and demand. To this sentimental faction the thought that any farmer should have to go out of business seems intolerable. As the cost of federal agricultural subsidies has risen, there has come into being an opposing faction, which dismisses farmers as spoiled welfare dependents who bilk the public on an unprecedented scale. Last winter's campaign for an emergency farm-credit bill seemed to divide politicians and the press into two camps: those who would "give 'em whatever they want" and those who would "let 'em fry."

The actual circumstances of modern farming conform to few if any of the assumptions that underlie the public debate. In order to see what condition American agriculture is in, one must first dispatch a number of widely held misconceptions.

—Farm families as a group are not poor. Their average income in 1983, one of the worst years in memory for agriculture, was \$21,907. The average income for all families was \$24,580. If one takes into account the lower cost of living in rural areas, farmers live about as well as other Americans. In fact, in some recent years farmers earned more than the national average.

—Farmers are not being driven from the land. From October of 1984 through January of 1985—when what was said to be a dire emergency for farmers was making news—the Farmers Home Administration actually foreclosed on forty-two farms nationwide. The FmHA provides loans to farmers who can't get credit elsewhere. Over the same four-month period its borrowers who "discontinued farming due to financial difficulties"—a broad category that reflects foreclosures by lienholders, bankruptcies, and voluntary liquidations to avert bankruptcy—totaled 1,249, or 0.5 percent of the FmHA's 264,000 clients.

From January to September of 1984 production-credit

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associations and federal land banks under the aegis of the Farm Credit Administration (which is much larger than the FmHA, handling about a third of U.S. agricultural debt) actually foreclosed on 2,908 loans nationwide. If one includes bankruptcies and loans in the process of liquidation, a total of 1.6 percent of FCA-aided farmers were in trouble.

Debt problems are real: early this year the FmHA, FCA-backed institutions, and rural farm banks saw delinquency rates reach record highs. But the incidence of dispossessions has been vastly exaggerated. The number of delinquent loans usually peaks early in the year, because most FmHA loans come due in January. Newspapers rarely follow up their winter reports of a "dramatic increase" in the number of farms in trouble with summer reports of a dramatic decline.

—Farming is not a disastrous investment. Farm lobbyists don't like to talk about disposable income, preferring to speak of "profit"—a problematic concept when applied to the self-employed, who can treat as business expenses items like vehicles and real estate, which most others must pay for out of their salaries. In 1983 and 1984 a trillion dollars' worth of farm assets generated a profit of \$48 billion—an average return of 2.4 percent a year. But the annual net return on all corporate assets for the same period was only 5.5 percent.

—The "farm exodus" has been over for years. Much is made of the fact that the number of U.S. farms declined by 33,000 in 1982 and by 31,000 in 1983. But the declines were far bigger in the 1950s and 1960s—a period enshrined in political mythology as better for farmers. In 1951 the number of farms declined by 220,000; in 1956 by 140,000; in 1961 by 138,000.

—Agribusiness does not dominate farming. Only three percent of all U.S. farms are owned by corporations. Moreover, farm ownership is not becoming increasingly concentrated. About one percent of all owners of farmland hold 30 percent of farm acreage, but that ratio is the same as it was in 1946.

—Most agricultural products are not eligible for federal support. Federal programs concentrate on what are called basic crops—grains, cotton, rice, and dairy products. Fruits, vegetables, livestock, and specialty crops, such as nuts and garlic, are not subsidized. In recent years these products have often done better than the ones the government takes an interest in—a circumstance that some commentators view as proof that abolishing government programs would solve agriculture's problems. Right now, however, the two categories of farm products are in about the same depth of trouble.

—Most farmers don't get subsidies. Participation in the basic crop-subsidy programs is voluntary, and most farmers stay away. A study released in 1984 by the Senate Budget Committee found that the major subsidy programs covered only 21 percent of farms and 16.5 percent of farm acreage.

Those whose response to the increasing cost of agricul-

tural programs is that we should continue the subsidies for small farmers but prevent large farmers from enjoying them should take note that the programs already function pretty much that way. The Senate Budget Committee study found that the largest farms were the least likely to be enrolled in subsidy programs. The most direct cash subsidy, called deficiency payments, is capped at \$50,000 per farm per year, which renders the program of little value to large operations. Indeed, the one percent of owners controlling 30 percent of American farm acreage received only seven percent of the deficiency payments in 1983, and almost none of the FmHA and Small Business Administration benefits.

—No one can get rich on federal subsidies. While a very large amount of money is spent subsidizing U.S. agriculture, it is spread so thin that few individual farmers receive significant amounts. Indiana farmers averaged \$1,323 in federal cash payments in 1982; Kansas farmers averaged \$1,577; figures in the rest of the heartland were about the same. In Arizona, where farmers receive by far the highest subsidies in the country, direct payments averaged \$27,040. Farmers benefit from a variety of other subsidies, the per capita amounts of which are difficult to calculate but clearly not lavish.

—Most farmers don't have burdensome debt. President Reagan was wrong to say that "around four percent at best" of farmers need credit help, but the actual figure is not much higher. According to a study by the U.S. Department of Agriculture (USDA) which farm-spending advocates often cite, only 6.5 percent of all farmers are actually insolvent or on the verge of being so. The Federal Reserve System estimates that eight percent of farmers have debt-asset ratios over 70 percent, and another 11 percent have debt-asset ratios of 41 to 70 percent. But nearly 58 percent of all farmers are well in the clear, with debt-asset ratios of 10 percent or less.

From the impersonal standpoint of economics, the 19 percent of farmers who, according to the Federal Reserve, are in credit trouble might be viewed as representing agriculture's excess production capacity. Last year 81 percent of the production capacity of all U.S. industries was in use, leaving 19 percent idle. Looked at this way, the share of borderline cases in farming is not particularly different from that in other industries.

—Debt has hit farmers hard but not that hard. From 1974 to 1984 outstanding agricultural debt rose 193 percent. Through the same period consumer credit rose 172 percent, mortgage debt rose 167 percent, and all commercial bank debt rose 153 percent.

—The embargo on grain sales to the Soviet Union did not clobber wheat farmers. In 1980, the year the embargo was in full effect, agricultural exports jumped from \$31 billion to \$40 billion—the largest increase ever. Wheat exports increased from 1,375 million bushels in 1979 to 1,514 million in 1980 and increased again in 1981, to 1,771 million bushels. In 1982 and 1983, after the embargo was lifted, wheat exports declined.



JUST ENOUGH TO BE MISERABLE

FARM GROUPS, FROM THE RADICAL AMERICAN Agriculture Movement to the rock-ribbed conservative American Farm Bureau Federation, condemn federal agricultural programs as a matter of ritual, and nearly every congressional hearing on agriculture commences with a rendition of how horribly the government treats the farmer. This is partly because agricultural programs are a philosophical jumble. Containing elements of free-market risk and federal bailouts, capitalist entrepreneurship and socialist central planning, they do not reinforce anyone's world view.

Consumers might say, Don't knock success. U.S. agriculture not only produces an abundance of nutritious food but does so at low consumer prices. Americans spend a smaller percentage of their disposable income on food than do the citizens of any other industrial nation; in the past ten years, as the Consumer Price Index has risen by 114 percent, supermarket prices have risen by only 96 percent. Even when the cost of subsidies—which consumers must pay too, through their taxes—is taken into account, food remains cheap. If the roughly \$21 billion being spent in this fiscal year to subsidize agriculture were reflected directly in consumer costs, supermarket prices would be only about six percent higher than they are.

Some farmers dislike federal programs because they don't want the government interfering with their lives, and others dislike the programs because they wish the government would interfere more. The range of opinion is not hard to understand. Farm subsidies provide just enough money to keep nearly every farmer in business producing just enough excess supply to hold prices down. This means that farmers who depend on government subsidies will find it hard to become prosperous enough to do without them. It also means that farmers who aren't subsidized get lower prices than they would if no one was subsidized. Everybody works, but everybody is miserable.

The main subsidy programs are deficiency payments and loans, both of which are administered by the Commodity Credit Corporation. Deficiency payments are straightforward. The farmer simply gets in the mail a check for the difference between the market price and a target price, which is set by Congress. A CCC loan is more involved. A farmer borrows a sum calculated by the government to reflect the value of his crop, and he puts up the crop itself as collateral. The loan is like a salary. If the market price turns out to be higher than the loan rate, the farmer can sell the crop, satisfy the loan, and keep the pre-

mium. If the market price is not higher than the loan rate, the farmer activates a "nonrecourse clause" and turns over the crop—the collateral—to close out his obligation. In effect he has forced the government to buy his product.

The cost of agricultural subsidies is difficult to predict. For example, when the farm bill expiring this year (which covers almost all agricultural subsidies) was passed, in 1981, its cost was estimated at \$11 billion. Because lawmakers assumed that inflation, running hot in 1981, would continue through the lifetime of the bill, they programmed in large annual increases in loan rates and target prices. Instead inflation cooled, the recession held agricultural exports down, market prices wavered, and loan rates and target prices ended up being higher in relation to market prices than expected. As a result, instead of a total of \$11 billion since 1981 the legislation has cost \$53 billion. This fiscal year alone the outlay for CCC purchases and deficiency payments is expected to reach \$14.2 billion.

In theory the subsidy system combats overproduction, because farmers who "seal" their crops with the CCC must agree to leave idle a percentage of their acreage. But in practice it can backfire. Eligibility is based on acreage: the more acres a farmer has available for production, the more generous his subsidy can be. Thus farmers sodbust land neither needed nor efficient, solely to get credit for the acreage. And nothing in the program prevents farmers from increasing production, by using more fertilizers, pesticides, and machinery, on land they are not required to idle. It is not unusual for a farm's output to go up in a year in which acreage has been set aside to please the CCC.

Next in dollar value are subsidized loans from the Farmers Home Administration. In this fiscal year the FmHA is spending about \$3 billion for below-market operating loans (loans that pay for seed, fertilizer, and so on). Originally the FmHA was to provide only temporary assistance, but now many recipients stay in the system year after year. (When the first federal price-support program was created, in 1933, the secretary of agriculture, Henry Wallace, called it a "temporary method of dealing with an emergency." The emergency farm-credit bill that monopolized the attention of Congress early this year was, like most agricultural assistance, portrayed as a one-time extraordinary measure. There was also an emergency farm-credit bill in 1984, and, barring some miracle, there will have to be another in 1986.)

FmHA assistance is available only to farmers who have already been turned down by commercial banks or production-credit associations. The 264,000 farmers kept in business by the FmHA represent only 11 percent of a total 2.4 million. Yet 11 percent can make all the difference in the marketplace. For example, in commodity markets like those for grain, oil, and gold, where products have no distinguishing features and only numbers count, often the final few percentage points—what economists call the marginal supply—sway the price for all producers. OPEC's Arab members set world oil prices for almost a decade though they produced about a third of the world's oil. Oil

was in tight supply, it was a seller's market, and all oil became worth what OPEC was charging, because any seller knew that he could find a buyer willing to pay the marginal price. Now there is a buyer's market for oil, and the OPEC price can no longer be enforced.

Likewise, in 1972, the year of the first major Russian grain purchase (the "Great Grain Robbery"), U.S. wheat prices zoomed from \$1.76 a bushel to \$3.95. The Russian acquisition totaled just 22 percent of the wheat available on U.S. markets that year, and by December there was more surplus grain in our stockpiles than the Soviets had bought. But the marginal supply had been carried away and the market converted from a buyer's to a seller's domain. By the same token, a moderate percentage of extra supply can depress prices, by robbing sellers (farmers) of their bargaining leverage. In 1981, for example, the corn harvest increased by 22 percent while domestic consumption and exports—or, as the USDA calls it, total "disappearance"—declined slightly. As a result, corn prices fell from \$3.11 a bushel to \$2.50.

Overproduction becomes acute in the basic crop categories, because one year's mistakes are stored and added to those of the next. In 1981 U.S. fields produced a record 15.6 million bales of cotton, but only 11.8 million "disappeared." Leftovers from 1981 have been plaguing the cotton market ever since. In 1983, for example, cotton production was down to 7.7 million bales and demand was up to 12.7 million, but because the year began with eight million bales in storage, cotton supply still exceeded demand by almost 25 percent. Today the price of cotton is about what it was in 1976, with no adjustment for inflation, and it's below what some growers spend on production.

When foreign demand falls off, the cumulative effects of overproduction become especially painful. Roughly four out of ten acres are planted for foreign sale. Since the early 1970s wheat producers have been serving the foreign market first and the U.S. market as a sideline; in the record years of 1980 and 1981 twice as many bushels were shipped overseas as were used at home. If foreign customers fail to buy, as has lately been the case, there's nowhere for the crops to go but into storage, because the United States already has all the food it needs. Even drastic price cuts would produce at best only a slight increase in U.S. consumption (food generally being subject to what economists call inelastic demand: most buyers want about the same amount regardless of variations in price). Soybean growers produced 2,035 million bushels last year and sold 1,880 million, leaving 155 million in silos. Export demand, which had peaked at 929 million bushels in 1981, was down to 800 bushels. Had export demand stayed at the 1981 level, 1984 would have been a banner year for soybean farming; instead the price of soybeans fell from \$7.75 to \$6.60 a bushel, and concern about the surplus hangs over this year's planting.

Next on the list of federal subsidies is \$954 million for soil and water conservation. The same federal policies that encourage sodbusting of questionable land and boosting

production by means of chemicals are to blame for a significant portion of the erosion that this subsidy is meant to control. Another \$421 million goes to subsidize federal crop insurance, and about \$350 million is spent on emergency loans to help FmHA farmers whose crops have been damaged by weather.

An extra \$24.3 million in direct subsidies to farmers was provided in 1984 by the Small Business Administration, under a program that issues cut-rate loans to those hit by natural disasters. (In 1984 SBA "nonphysical-disaster" loans were granted to fertilizer companies in states where commodities released under the payment-in-kind program had reduced demand for fertilizer—one federal subsidy chasing another.) Agriculture also benefits indirectly from the \$1.1 billion spent on farm research and extension services, the \$18.2 billion spent on food stamps and child-nutrition programs, and the \$1.8 billion in Food for Peace aid to poor countries, all of which shore up crop demand. Finally, many billions have been spent on federally subsidized irrigation and electrical power in the West. For a variety of reasons, the exact cost of these subsidies—beyond \$80 million being spent this year to subsidize two- and five-percent loans for power and telephone lines to rural communities—defies calculation. Much of the expense is coming to an end, however, because of a law passed in 1982 that requires western growers to begin paying the full cost of their water.

IT IS COMMON FOR FARMERS—AND REPORTERS—TO speak as if in a just society virtuous products like food and fiber would only increase in value. Yet we find nothing amiss when the price of computers or eyeglasses falls, and we're upset when the prices of energy and housing climb. A successful economy is supposed to drive down the prices of goods, especially manufactured goods—and the advent of fertilizers, pesticides, self-propelled combines, and large tractors has made agriculture one of the least labor-intensive of industries. Each year the USDA charts farming "inputs" for capital and labor. The 1980 input for farm labor was a fifth that of 1930, while the input for machinery was three times greater, and the input for chemicals was twenty times greater. Farm groups say that there is something wrong with the fact that wheat costs less in real terms today than it did in 1870. There would be something wrong if it *didn't* cost less.

Farm-state congressmen often cite the index of prices for farm products from the Producer Price Index kept by the Bureau of Labor Statistics. The PPI, like the Consumer Price Index, uses 1967 as its base year. Whereas the CPI rose to 311 in 1984, the index of prices for farm products has risen only to 256. The congressmen never mention that the indexes for almost every commodity within the PPI are behind, or only equal to, the CPI. Textile products and apparel are at 210, furniture and household appliances at 219, and rubber and plastic products at 247. Only non-metallic mineral products, at 337,



and energy, at 657, are significantly ahead of the CPI. For that matter, low producer prices keep the cost of running a farm down. Indeed, according to the USDA, the index of what machines, supplies, interest, taxes, and wages cost farmers runs about ten percent below the rate of inflation.

No one likes to be thought of as being on the federal dole, least of all farmers, who put a premium on self-reliance. Farm groups across the spectrum invariably say, "We don't want subsidies, we just want a price," meaning higher market prices, and they note that higher prices would result in less federal spending, because deficiency payments would decline. The next logical step is usually

not taken. Absent increased demand, higher prices can be realized only if excess production is controlled, either by cutting subsidies and letting some farmers fail (anathema to the left) or by imposing fierce restrictions on how much and what a farmer may plant (anathema to the right).

Farmers find it difficult to face the overproduction issue, mainly because of the nature of rural life. One of the salient cultural differences between farmers and city folk is that farmers live in places where everybody is in pretty much the same line of work. Everybody either is a farmer or provides a service that farmers need. Imagine if advertising executives had to live in complexes populated en-

tirely by other advertising executives and could have only advertising executives for friends. Would they be so aggressive about stealing business? To be true capitalists, farmers would have to view their neighbors as their arch-enemies. So they compensate by viewing farming itself—the act of working the fields, not of selling the finished product—as their purpose and keeping everybody going as their political challenge. This thinking reflects the kindness and communal purpose we admire in rural life. It also makes for too many farmers.

The regular experience of shared achievement and sorrow in a common pursuit is among the most appealing aspects of rural tradition. Indeed, farm advocates often argue that the communal quality of rural America should be preserved for its own sake, even if economics has passed it by. They say that farm living sets a spiritual example whose worth thus transcends cost-benefit analysis. But when farmers say that their way of life should be preserved for its own sake, inevitably they must argue that all farmers are equally deserving of protection—that farmers have a right to remain farmers.



IOWA: FELLOWSHIP REPLACED BY MACHINERY

IN AN INDUSTRY AS LARGE AS AMERICAN AGRICULTURE nothing is typical. There are the livestock pens of Texas, the vast irrigation networks of Nebraska and Arizona, the hog pens of Illinois and Indiana, the pastoral dairies of Wisconsin and Minnesota, the tiny tobacco plots of the mid-South, the citrus orchards of Florida, the uninterrupted wheat fields of Kansas. Nowhere is contrast more distinct than between the number-one and number-two agricultural states—California and Iowa.

California is a high-tech paradise. Farms are majestic; the climate is blissful. Californians produce some 200 commodities, including milk (the dairy business, surprisingly, is the state's biggest agricultural concern), cotton, rice, cattle, grapes, vegetables, plums, oranges, and almonds. Many farms are diversified: designed to produce several categories of crops and to shift from one to another as rapidly as demand changes.

In Iowa, farming is practiced more or less the way it always has been. Nearly all Iowa farms are family enterprises, and nearly all raise corn, soybeans, hogs, and cattle. The Iowa earth can be harsh, the weather cruel.

Just what constitutes a family farm of the Iowa variety

depends on the beholder. A growing number of the nation's 2.4 million farmers—right now, roughly half—sell less than \$10,000 worth of crops a year. Generally they work full-time jobs and farm on the side. According to Luther Tweeten, an agricultural economist at Oklahoma State University, most of these part-time farmers sell what they raise for less than they spend on production, leaving them several hundred to a thousand dollars in the hole each year, at least on paper. Such part-time farmers, Tweeten says, enjoy farming as an avocation and seek to qualify for farm tax breaks.

Those who sell from \$40,000 to \$100,000 worth of crops a year form the group commonly called family farmers. There are 381,000 of them, making up about 16 percent of the total farm population, and they are the most troubled—holding a disproportionate share of farm debt and typically having a lower disposable income than part-time farmers, because the farm is their sole source of income. Iowa is this group's stronghold.

The typical Iowa farmhouse is weathered beyond its years, with paint in various stages of peeling and cracks in interior walls. Visiting two dozen farms in various parts of the state last winter, I saw only one house that could qualify for teleportation to the middle-class suburbs of Atlanta or Portland—or Des Moines, for that matter. None of the farms I saw had paved driveways; several farmers who described themselves as successful mentioned as evidence of their good fortune gravel-covered drives. Owing to the lack of asphalt and concrete, mud was everywhere, deep enough in spots to make walking a trick.

Yet the people on these farms did not live in poverty. Nearly all the farmhouses I visited contained microwave ovens, color TVs, video-cassette recorders, and other tokens of consumer culture. No farmer I met drove a fancy car, but none lacked a car, either. All were well clothed and well fed. And the farm equipment that some possessed was a sight to behold: combines with wingspans like those of aircraft; four-wheel-drive tractors that could pull a Greyhound bus from a ditch; a few Steigers, the Corvettes of tractors, fitted out with air-conditioners and tape decks. This gleaming machinery, more than anything else, represents a profound change in the way farmers live—in the debt burdens they bear and in their relationships with their communities.

"Too many tractors with too much horsepower" is how Helen Lester, of Milo, who has been farming with her husband, Guy, since the Depression, summarized Iowa's predicament. Academics and journalists are not the only ones who began to believe around the mid-1960s that the small farm was doomed. Farmers believed it too. Awesome new tractors and combines would enable a family farmer to cultivate more land than ever. Farmers would almost have to buy more acres in order to spread those capital investments over a larger income base. Big new machines on bigger farms held out the promise that the family farmer could achieve the touted economies of scale enjoyed by sprawling ranches in Texas and the Southwest.

These machines also held out the promise of a more pleasant life, free of tedium and backbreaking labor. A Steiger, with its immense power, could plow more land in one day than a conventional tractor could plow in a week; the big combines would harvest crops with much less need for manpower. Improved seed varieties and chemicals were also coming into play, and were expected to diminish the demands that raising crops made on a farmer's time. What a dream began to emerge: a bigger farm, a higher income, and less physical work. The race was on. Sales of heavy machinery soared, and farms, even family farms, expanded in size.

THE VALUE OF AGRICULTURAL REAL ESTATE ESCALATED from \$216 billion in 1970 to \$756 billion in 1980 and then crashed. In 1984 it was \$765 billion—a decline of about 23 percent when inflation is taken into account. In all the commentary on this fabulous rise and fall, it is rarely noted that farmers themselves were the driving force behind the price changes. Urban growth, often presented as the culprit, exerted a minor influence at best: only three percent of all land in the United States is built on, for cities, suburbs, or highways. When farmers sell, it is almost always to other farmers: the most prized farmland is that which adjoins an existing farm. Through the 1970s farmers sought more land, and farm size increased by an average of 13 percent.

Traditionally farmers have been frugal people, fearful of debt and wary of promises of quick wealth. But they did not respond to the economic developments of the 1970s with characteristic reserve. (In fairness, neither did millions of other Americans. Major corporations lost billions of dollars in sure-thing energy investments, and all sorts of people bought real estate as if the prices could never break, poisoning their loans on the assumption of perpetual inflation.) Using machines, chemicals, and new land, farmers both here and abroad expanded their productive capacity by so much in the 1970s that a fall became all but certain. Production through the decade rose at three percent a year in the United States—a record pace for annual growth. Meanwhile, food demand was not increasing as fast as production, and demand for some foods was falling.

Many farmers who bought large machinery told themselves that they would cover the payments by doing “custom work”—tilling and harvesting for other farms. As ownership of combines and 400-horsepower tractors became unremarkable, more farmers were offering custom work than needing it done. One farmer I visited, Pat Meade, in Milo, said, “You can pretty much tell which farms are in trouble by whether they’re four-wheel or two-wheel.” Meade uses a 1976 100-horsepower tractor that he maintains himself. He said, “When farmers discovered that a big machine would enable them to do all their plowing in a single day and spend the rest of the week at the coffee shop, a lot of them couldn’t resist, even if they

couldn’t afford it. Combines were the worst. The average family farmer actually uses his combine less than thirty days a year. The rest of the time it sits in a shed. Seventy-five to a hundred thousand dollars sitting in your shed, doing nothing.” Farmers who went heavily into debt to buy big machines and more acres were dubbed plungers.

A century ago the free-silver movement, led by William Jennings Bryan, centered on the desire for a liberal money supply so that there would be more for farmers to borrow and more for consumers to spend. In the 1970s inflation, though less glorious in conception than free silver, provided the financial climate many farmers had always thought they wanted. Plungers became community heroes. Farm journals were filled with stories of “young tigers” who were not afraid to take on staggering debt loads. “Those who dive deepest will come out on top” was a common saying. When briefly during the 1970s interest rates were below the inflation rate, borrowers came out ahead merely by borrowing. Farmers are dependent on credit even in good times, because they must pay production expenses months before they have crops to sell. The economic conditions of the 1970s seemed to say that it had actually become smart to pile loans on top of loans. But if inflation stopped, the loans would smash into each other like race cars trying to avoid a wreck.

The FmHA, production-credit associations, and banks were just as much to blame for plunging as farmers. With acreage values rising at up to 20 percent a year, farmland was an investment that was staying ahead of inflation. Many banks, needing borrowers to generate income on their inflation-pumped deposits, encouraged farmers to leverage themselves to the limit. According to Meade, “During the 1970s there were times when lenders quite literally drove up and down the road, knocked on people’s doors, and asked them if they could use more credit.” Philip Lehman, a farmer in Slater, Iowa, and an official of the Iowa Farmers Union, an organization that lobbies for increased federal farm aid, sat on the loan-approval board of a production-credit association in the early 1970s. “Things got to where it was difficult for me to put my initials on the applications,” Lehman told me. “It was like granting people licenses to go under.”

AS INFLATION AND GLEAMING SUPERTRACTORS dispelled farmers’ qualms about extravagant spending, so they altered the spirit of farm communities. Farmers who drove Steigers didn’t have to call on their neighbors for help when a wagon got stuck in the mud. Those with combines didn’t have to wait for harvesting crews, nor did they have to offer to join in harvesting a neighbor’s land. Many farmers borrowed to build their own silos and storage facilities during the 1970s, loosening their dependence on town silos and diminishing their obligation to attend co-op meetings. Farmers began to feel guilty of what they disliked most about city dwellers—an absence of community spirit.



"Because farmers want to be self-reliant, the combines and the tractors had an extremely seductive appeal," James Schutter, the pastor of the United Methodist church in Tingley, Iowa, told me last winter. "Machines made you really self-reliant. People didn't realize the machines would also make you isolated. As soon as it became technologically possible to farm independently, everybody wanted that." Milton Henderson, of Mt. Ayr, Iowa, who is retired after working for the Iowa State University extension service for thirty years, said, "Threshing and harvesting parties were wonderful events—much warmer, and more human, community events than the kind we have now, like high school basketball games." He added, "I

would never want to go back to the past, plowing four acres a day with a team of horses. I'm just saying the sense of fellowship is gone, replaced by machinery."

Dairy, livestock, and poultry farmers still work year-round, because animals must be tended continually, but well-equipped crop farmers have it easier. They face three months of heavy work during planting and two more at harvest. Farm-crisis stories tend to appear in winter partly because it is then that crop farmers, without daily work to do in their fields, do their lobbying. When the American Agricultural Movement staged its tractorcade in 1979, bringing hundreds of farm machines to Washington to block traffic, AAM members made speech after speech

about how their backs were to the wall. Yet many had arrived in brand-new Steigers equipped with stereo systems, and some spent several months in the capital, in no apparent hurry to attend to their businesses. William Olmsted, a United Methodist minister in Greenfield, Iowa, has noticed a subtle change in farm sociology. He told me, "Making your rounds in winter, you can knock on doors at five farmhouses in a row and find no one home. They've gone to town, or are on vacation. Farmers used to *always* be home."

FENCEROW TO FENCEROW

FARMERS SAY THEY EXPANDED IN THE 1970S BECAUSE they were sent a signal from the highest levels of government instructing them to do so. There can be no doubt that they were.

In the 1970s the USDA predicted that food production would fall behind world demand. A book called *Famine 1975* attracted considerable attention when it was published in 1967. When the 1972 Russian grain deal caused wheat prices to rise and poor harvests caused food in general to become costlier, many thought that the pessimistic forecasts had been confirmed and they began to cry shortage. Richard Nixon's secretary of agriculture, Earl Butz, is said to have advised farmers to plant "from fencerow to fencerow." That phrase is now fixed in the heartland's litany of woes as firmly as the Russian grain embargo: farmers refer to it again and again. In 1973 the headline of an article in *The New York Times* declared, "DAYS OF 'CHEAP FOOD' MAY BE OVER." As the decade passed and world harvests remained poor, the idea that the Russians and others would soon be begging us for grain caught hold. Oil prices were rising and the market for gasohol, made with corn alcohol, seemed about to take off. Declarations that agriculture was "the bulwark of democracy," "America's answer to OPEC," and so on became political clichés. When exports were booming, in 1980, President Jimmy Carter's secretary of agriculture, Bob Bergland, declared, "The era of chronic overproduction . . . is over."

"About ten years ago it looked like you just couldn't go wrong by expanding," Jim White, a farmer in Pleasantville, Iowa, told me. White is operating his farm under Chapter 11 of the federal bankruptcy code. In the late 1970s White bought land and equipment on credit and also co-signed notes so that two of his sons would be able to enter farming. In White's house a stack of foreclosure documents sits by trophies that White and his father won for being Polk County Corn Champions in 1963 and 1964. "My dad had taught me to be cautious, but everybody—I mean everybody—was saying that biggest had become best," White said.

Who in the 1970s could have predicted that by 1985 rising inflation would be only a memory, that the value of the dollar would rise so dramatically on the world exchange market, that developing countries would begin producing

food for export, that gasohol would flop (gas stations in Iowa now post signs proclaiming NO ALCOHOL IN OUR FUEL), and that consumption of dairy products and red meat would decline? This web of events surprised even smooth-talking experts. The average farmer could not possibly have foreseen it. White's production-credit-association loans contained variable-interest-rate clauses. "They said I had nothing to worry about—that rates had varied only a fraction of a point since 1970," White told me. "My rate went from 7 percent to 18.5 percent."

Does the fact that the government has misled farmers confer on them a right to special compensation? The frequency with which the national winds shift leads politicians routinely to give industries bad advice, and part of being a businessman is knowing what to ignore and what to take seriously. More important, though Earl Butz's advice certainly sounds foolish in today's economic climate, it was delivered thirteen years ago, in a different climate. How many businesses could survive by clinging to strategies thirteen years out of date? There would be scant public sympathy for an automobile company still making cars that get ten miles to a gallon. Because of the nature of agriculture, farmers have a more difficult time responding to economic changes than people in other industries. But this does not mean that they should be exempt from having to respond. In February the entire South Dakota state legislature traveled to Washington to lobby for more farm aid. When South Dakota's governor, William Janklow, appeared on the ABC News program *Nightline* to state his case, he absolved farmers of blame because, he said, "Earl Butz told them to plant fencerow to fencerow"—as though this had happened the year before.

It could be that farmers attach almost religious significance to what Butz said because it was the one time they were told exactly what they wanted to hear. Agriculture, a quiet line of work in which it was nearly impossible to get rich, was going to take off. Thanks to technology, incomes would rise and workloads would fall; farmers would rescue the country from foreign debt and become national heroes. With crops in demand, farmers could sell them on the market, not to the government, and make their money fair and square. Everything was finally going to be all right. It is human nature to cling to the moment when things were going to be all right, and so it is natural that farmers should cling to the vision of the early 1970s.

FOR FARMERS, GOVERNMENT POLICY IS LIKE THE weather. It's good for a spell, it's bad for a spell, and there's just no predicting. In addition to making business planning difficult, flip-flops of policy inevitably build resentment against government, even when the subsidies are flowing.

One farmer, in Creston, Iowa, told me, "I know for a fact that agriculture is controlled by a special committee of bankers and manufacturing interests and that no one is allowed to use the committee's name." Another, in Cory-

don, Iowa, said, "There was a secret meeting in 1947 at which a plan was laid out to destroy the family farm, and everything that has happened since comes directly from the plan." The two speakers were not kooks, and I heard similar sentiments from others during my travels in Iowa.

A fair reading of recent history is that the federal government would have to form a firing squad just to shoot itself in the foot. Nevertheless, some farmers do believe that their troubles must have a nefarious source. Many look outside the federal government. A popular target of suspicion is the Chicago Board of Trade, which most farmers resent as a rich man's plaything designed to make easy prof-

its from the workingman's toil, and which some are convinced was invented by the anti-farm conspiracy in order to cause chaos in farm prices. (Some farmers now use the commodities exchange to hedge their crops, but the Iowa farmers I spoke to said they simply couldn't bring themselves to do that, even if it does make business sense.) Conspiracy theories in themselves are probably harmless, but their prevalence in rural communities suggests that farmers wish to fix the blame as far away from home as possible—to dwell in an unreal world. That wish helps to explain why farmers seem so bitter in television news footage.

Dissatisfaction rules life on the farm today, and the unhappiness farmers vent in the media or at political rallies probably does more to advance the idea of an endless crisis in farming than does the actual incidence of foreclosures. The unhappiness stems in part from raised and then dashed expectations. "Every year for the last fifty years had been a little better than the year before, until the 1980s," Carolyn Erb, a farmer in Ackworth, Iowa, said when I met with her last winter. At some point having a better year begins to seem like a right. That the Washington, D.C., tractorcade was staged in 1979, a year that turned out to be the second best on record for farm profit, shows how consuming a force self-pity can be.

The structure of farm economics guarantees that farmers will be frustrated. Suppose your year's salary would be \$20,000, \$40,000, or \$60,000, with the amount determined by a lottery based on what day you asked for your pay. That is the arrangement that most farmers have to live with. The advent of international blockbuster deals adds turbulence to the market. "Now our decision on exactly what day to sell can make or break us for the entire year," Nancy Meade told me.

Many businesses, of course, must deal with macroeconomic unknowns, but how many individual workers have to? Auto workers are not expected each time they report for their shifts to perform an analysis of international sales patterns, according to which their wages will later be calculated. Family farmers must be laborers, market analysts, and financial managers all at once. Considering the modest track record of specialists who do nothing but predict agricultural markets, it is unreasonable to expect the records of individual farmers to be any better. The anxiety over when to sell can place extreme stress on a farm marriage: the husband may feel obliged to dictate the selling strategy, which offends the wife, who in turn blames the husband for market changes he couldn't possibly have predicted. The sheer uncertainty is oppressive. To return to the salary-lottery analogy, even if you picked the \$60,000 day you would be upset about the wringer you'd been put through.

Endless waiting for Washington to make up its mind about farm programs produces more unhappiness. Ronald Reagan announced the latest emergency credit program for farmers in September, 1984, but as of February, 1985, with spring planting approaching, the FmHA had made

MAKING LOVE

You can't ever remember it really.
 You wake up and you do not know
 where you are or who you are or
 what you are, the last light of the evening is
 coming up to the windows, not coming in, and it is
 more like a cold mist than light,
 greenish, standing there in the deep frames,
 the bedpost a dark knob, not gleaming, the
 heavy heavy body of the desk
 between two windows—solid maple with its
 curled resinous birds-eyes shining inside the wood. And you
 try to think back, you cannot remember it,
 it stands in the back of your mind like a mountain,
 at night, behind you, enormous, or a field of
 snow at night, your pants are torn or
 across the room or still dangling from one leg like a
 heavy scarlet loop of the body, your
 bra is half on or not on or you were naked to begin with,
 you cannot remember, all you know is you feel
 absolute, and everything is changed.
 Tomorrow, maybe, taking a kid to school,
 your foot half off the curb in the air you'll
 see his mouth where it was and feel it and the
 large dark double star of your two bodies
 but for now you are like the one in the crib,
 you are everyone right now,
 the three milky greenish windows like
 sentinels there saying Don't worry,
 you will not remember, you will never know.

—Sharon Olds

decisions on only about two percent of the applications it had received. Farmers who had asked for aid had to sit and stew all fall and winter, wondering whether they would be able to stay in business and powerless to find out. Many of those who ultimately got extra help were inclined to be resentful rather than grateful.

Dissatisfaction extends even to successful farmers. Because federal subsidies have the effect of keeping everybody at least barely in business, overproduction prevents successful farmers from realizing the profits they otherwise might. Since farm commodities are basically interchangeable, farmers cannot compete with one another by offering different features or higher quality, as manufacturers can. They can compete only by undercutting already depressed market prices. Those who resisted taking the debt plunge or who run their operations unusually well say they feel pressured to pay for the errors of the careless.

Suppose the government stepped into the computer industry, which is suffering from oversupply, to make sure no manufacturer went out of business. Successful companies like IBM and Apple would be unhappy, because the artificial stimulation of supply would prevent them from getting full value for their products. Unsuccessful companies would find themselves in the debilitating position of being dependent on Uncle Sam and ridden with anxiety over whether their handouts would continue. Everyone would be working, yet no one would be happy. There would be a "computer crisis."

IN FARM COMMUNITIES ACROSS THE HEARTLAND THERE is one more level of anxiety. Farmers have never been able to look forward to wealth, but they have had a satisfaction that city workers with better pay cannot hope for—the moment when they hand the farm over to their children. For many farmers that moment is the culmination of a responsible life; for the younger generation it is the moment when the world recognizes that they have done what was expected of them. "Right now it's not a responsible act to bring a son into the business, and you don't know what that does to the farmer's mind," Rod Erb, Carolyn's husband, told me. Transferring a highly capitalized farm from parent to child entails leveraging to the hilt. Under these circumstances parents consider themselves failures, and children, unable to do what generations before them have done, feel they have compromised their entire family histories.

After I left Iowa, there was one farm couple that I couldn't get out of my mind: Dennis and Patricia Eddy, who live in Stuart and have three young sons. The Eddys are existing on six subsidized loans. They had qualified for the Reagan emergency credit aid, which would save them about \$23,000 in interest payments overall. They hadn't paid income taxes in five years. The kitchen of their farmhouse had been remodeled and was strikingly attractive; I noticed a microwave oven and other minor luxuries. They had a pure-bred Doberman puppy. Here was a couple who

could easily be portrayed as hooked on handouts. "Just once in my life I would like to live at the poverty line," Patricia complained, yet her federal aid is more than many city families with greater need receive—to say nothing of the fact that she lives in her own home. Most urban welfare recipients, I felt sure, would exchange places with the Eddys in the blink of an eye.

Except for the kitchen, however, the Eddys' home was modest. By no stretch of the imagination was the family living indulgently. There didn't seem to be any chance that they would buy a sports car, eat in three-star restaurants, or enjoy many other luxuries that young professionals who went to graduate school on government-subsidized loans consider their due. I felt sure that none of the conservative theoreticians who rail against subsidies in the fastness of paneled libraries would exchange places with the Eddys.

The Eddys said that they were dismayed by having had six different FmHA loan supervisors in eighteen months, each of whom had issued a new set of instructions on how the couple ought to run their lives; by unending anxiety about whether their crops would grow and in turn sell; and by the public perception that those in debt to the FmHA are "bad farmers," which surely is not true.

For a while policymakers diagnosed increasing federal agricultural expenditures as a problem caused by "bad farmers" and "bad managers," who squandered their aid. The label has stuck—one farmer introduced himself to me as "just another bad manager"—although there is nearly universal agreement among agricultural observers that truly lazy or incompetent farmers are rare. If anything, farmers are *too* good at what they do. They produce too much, and they are baffled and anguished by the fact that bringing food out of the ground, as they were taught was right, does not invariably lead to success. The Eddys were working as hard as they knew how, and that was what stayed with me.



CALIFORNIA: MBAS IN OVERALLS

IOWA SEEMS LIKE AN OUTPOST ON THE MOON BY COMPARISON with the San Joaquin Valley, in central California. Nearly anything will grow in the valley's benign climate. The land is flat, which is perfect for farming, and cows graze in the nearby foothills of the Sierra Nevada as if they were in the Alps. In Iowa some farmers had plowed and planted their front yards, but here in Fresno and Tulare counties, one of the world's most productive agricul-

tural regions, every square inch seemed to have been tilled. Farmhouses are modern ranch-style buildings with carports. Machinery doesn't rust. In the Midwest, farms are discrete places because farmers generally buy only land that adjoins their own; in California, however, farms tend to consist of scattered parcels. The scattering lowers the sentimental value of each farm, and it also works against any sense that farms are fortresses to be defended against an encroaching outside world. Farms in California seem much more like businesses. One sees few four-wheel-drive tractors with balloon tires. "Farmers like to buy tractors, managers like to make money," a Californian told me when I visited farms in the state last winter.

One of California's largest operations is Harris Farms, Inc., of Coalinga. The average U.S. farm has 437 acres; Harris has 17,000, and it's as diversified as can be—cotton, tomatoes, garlic, almonds, onions, grapes, potatoes, wheat, and cattle. It is not a corporate farm; John Harris, the only child of the founder, is the sole owner. During the 1970s, when the land frenzy drove prices to \$3,500 an acre in the valley and as high as \$15,000 an acre in the prestigious vineyard counties, Harris didn't buy. "We could never figure out how to make buying land at those prices pay," he told me.

Harris has 125 full-time workers, whom he calls "employees," and 100 units of housing for them, of a quality better than that of a trailer park but not as good as that of a subdivision. Unskilled seasonal laborers—migrant workers—make \$4 an hour, full-time tractor operators make about \$14,000 a year, and foremen make up to \$65,000. Two foremen, Richard Lobmeyer and Juan Barrera, spend an increasing amount of time with computers: Harris Farms has a large mainframe computer for accounting and half a dozen personal computers for other tasks.

Barrera, for example, uses software designed for tomato growing to track temperature, humidity, and the rate of transpiration and to predict exactly how much irrigation the vines will need. Harris has been switching to less wasteful means of irrigation, such as drip pipes, which apply small doses of water directly to a plant's roots. (Before the 1982 law was passed, many heartland farmers complained bitterly that California water was subsidized, ignoring the fact that their own water falls from the sky free of charge.) Much of Harris's production is sold to food processors by a standard supplier's contract—a promise to deliver a certain tonnage of, say, tomatoes on a given day at an agreed price. This reduces the potential for a windfall, but it also eliminates anxiety over fluttering prices.

In rural communities it seems to be considered bad taste to build a luxurious house, and Harris does not flout that convention. He lives in the modest house where he was raised, which sits directly across the parking lot from the company's headquarters, concealed behind hedges. His office, however, would make any lawyer proud: it is large and wood-paneled, with original art on the walls and a commodity-price monitor on the credenza.

Diversification as practiced at Harris Farms is said to be the future for profitable agriculture, because it allows the clever manager to stay a step ahead of demand. Midwestern farmers have some ability to shift among the products their environment will support: wheat, corn, soybeans, sorghum, and livestock. For example, when grain prices fall and livestock prices rise, farmers can feed their grain to the stock and sell it ultimately as meat. Trends in the supply of these commodities tend to be parallel, however, and so the degree to which midwestern farmers can diversify often does not amount to much. Being able to shift among unrelated crops—cotton to onions to lettuce—makes for better protection against the erratic market. Working with small specialty crops also enables growers to get an idea of where they stand relative to the competition. Lobmeyer explained: "There are eleven million acres of cotton fields scattered all around the United States. Realistically, there's no way we can get a sense of what other cotton growers are doing. But there are just 294,000 acres of process tomatoes in the country, and 84 percent of them are here in California."

Harris Farms operates almost entirely without federal subsidies. Most of its crops aren't eligible for support. Harris does not enroll his cotton and wheat acreage with the CCC, because, he said, the maximum loan is inconsequential for a 17,000-acre enterprise and not worth the bother of going after.

Despite his computers, his economies of scale, and his lack of dependence on the government, Harris is pessimistic. He told me, "At this point farmers have become capable of producing a surplus of just about everything. The regulated programs get all the attention, because they involve federal deficits and family farms, but profit margins in specialty crops are becoming almost as bad." The market for grapes, once a glamour crop, is more depressed than the market for corn. Citrus fruits are about the only crop widely agreed to be profitable this year—profitable, that is, for growers who weren't hit by a series of frosts in Florida and Texas that cut supply. Harris observed that if the country had not experienced a cycle of poor weather for crops in three of the past five years, which led to disappointing yields, surpluses would be even greater than they are, and prices lower.

The weather of late has been unusually severe in southern Iowa, where the gullied bottomland is in any case ill-suited to farming. In 1983 the rain was so relentless that farms were flooded with mud. Pat and Nancy Meade, who live in southern Iowa, lost twenty of the hundred calves born on their farm that year because they drowned in the mud. A high percentage of the hard-luck farm stories presented as typical on television and in newsmagazines have southern-Iowa datelines.

To some extent a bad year can be offset by the generous tax treatment accorded to agriculture. For example, many types of farm buildings and fruit trees can be depreciated, and deductions can be taken for supplies that will not actually be used until the following year. Played properly, the



game allows the payment of taxes to be postponed almost indefinitely.

Investors who buy into farms do not, as popular lore would have it, "profit from losing money": the best investment is always one that makes money. The situation of a "tax farmer" is roughly like this. Say that a doctor in the 50 percent tax bracket has \$100 in marginal income. If he does nothing, the government takes \$50 and he keeps \$50. If he shelters the money in a farm generating a \$100 deduction, his tax bill is reduced by \$50. In both cases the doctor walks away with \$50. But in the second case he also has some equity in the farm.

Since the doctor keeps \$50 no matter what, all the in-

vestment has to do is make a dollar and he will come out ahead. Thus a commercial farmer who needs a decent income to care for his family is at a disadvantage with respect to a tax farmer for whom any income is pure gravy.

In the long run agriculture's favored tax status may do farm families more harm than good, because shelters encourage the overproduction that is at the core of agriculture's problems. From one pocket the government hands out tax breaks to encourage more farm investment and from the other it hands out subsidies to compensate for the depressed prices that investment causes. Nevertheless, farm-state legislators have extreme difficulty opposing any measure presented as a "farm tax break."

SURROUNDED BY SURPLUS

AGRICULTURAL EXPORTS HAVE STOPPED INCREASING over the past few years, after having grown steadily through the 1970s. The strength of the dollar is usually cited as the reason, and without doubt the strong dollar is a factor. But the growth trend in exports probably would have stalled regardless, because many countries are generating food surpluses of their own. Moreover, almost all of the industrialized countries have higher internal subsidies and more-restrictive trade laws than we do.

In the late 1960s the countries in the European Economic Community met up to 90 percent of their demand for grain. In 1984, a bumper crop year, EEC farmers met 125 percent of that demand. U.S. agricultural sales to the USSR make headlines, but sales to Western Europe have been far more significant in volume. In 1983, for example, Europe bought about \$10 billion worth of U.S. food—ten times as much as the Soviet Union did. Last year Soviet grain purchases hit a record high, and yet total sales to “centrally planned countries” accounted for just ten percent of U.S. exports. Asian nations are our best customers. In 1983 they bought \$13.5 billion worth of U.S. agricultural products. But since then sales to Asia have been stable or falling.

World wheat production, 447 million metric tons in 1978, is expected to be 505 million metric tons this year—a 13 percent increase. Also since 1978 world rice production has increased by 20 percent and world cotton production by some 35 percent. In every part of the world except Africa and Japan food production is increasing faster than population.

The increased production, particularly in developing countries, can be attributed partly to the spread of modern technology and farming methods—progress that the United States has encouraged and in many cases has funded and supervised. We have a moral obligation to share our agricultural secrets with the world and should be proud that we have done so, but the cost has turned out to be greater than we expected. The world's increased production can also be attributed to U.S. farm-subsidy programs. For many commodities American support prices become the world floor prices, because whenever the going rate falls below what the CCC will pay, a significant portion of the supply is withdrawn from the market. Equilibrium between supply and demand is restored and the decline in the market price is halted. Nonrecourse loan programs, intended to limit the risk to American farmers, have the effect of limiting the risk to farmers in other countries, as well. For example, Argentina knew in 1981, courtesy of an act of Congress, approximately what the floor price for grain for the next four years would be, and thus could plan accordingly.

The agricultural programs of other countries are far more protectionist than those of the United States. Within the EEC agricultural commodities move freely, but what are in effect tariffs prevent food from being brought into

the community at less than the regulated price. Thus American farmers are not permitted to undercut the market price in Europe, whereas any shipper may sell cheaply here. When the EEC has surplus grain, exporters receive direct subsidies to sell their overstock at below-market prices. The European subsidies are threatening to break the bank; several times in recent years the EEC Commission has recommended that the subsidies be cut, only to have farm interests in member nations beat the effort back. In 1986 Spain and Portugal—two potentially major agricultural producers—are expected to join the community, hide behind its tariff curtain, and use its subsidies to boost production.

Japan's regulations are even more stringent. Various restrictions limit the sale in Japan of U.S. commodities for which there might otherwise be higher demand—particularly beef and fruits. According to Yujiro Hayami and Masayoshi Honma, economists at Tokyo Metropolitan University, Switzerland has the world's most protectionist agricultural system, with domestic prices half again as high as the world average. Japan's is next, with domestic prices 45 percent higher than the world average. The EEC's domestic prices are 25 percent higher, and the United States, where domestic prices are slightly below the world average, ranks last in protectionism.

It is perhaps understandable that Europe and Japan, which have known famines in this century, should be anxious to keep farm production up. It's harder to understand the Reagan Administration's behavior. In March, President Reagan withdrew the pressure on the Japanese to observe voluntary auto-export quotas and asked nothing in return. If the Administration continues to push for cutbacks in U.S. agricultural production without insisting that members of the EEC cut back as well, subsidized European farmers will rush in to grab U.S. export markets.

We should be grateful that Japan has so little land, else it would surely make life as hard for American farmers as it has for American manufacturers. Another Asian country, however, has lots of land and a strong agricultural tradition: China. In 1980 China bought \$2.3 billion worth of U.S. food and fiber. Now its purchases are down to \$500 million and the country has begun to export cotton. Chinese officials have been stepping back from the commune system and introducing a limited form of capitalism in their fields; the results have been dramatic. Since 1978 China's cotton production has risen by 150 percent, its soybean production by 84 percent, its wheat production by 58 percent, and its rice production by 27 percent. Many production techniques used in China are backward (for example, cotton is shipped in nonstandard-sized bales, small enough for two men to lift manually), but Western methods and machines are being introduced. In China workers are accustomed to strict discipline and low wages; modern production could transform the country into the world's breadbasket. “They are much closer to it already than we like to think about,” Kenneth Billings, the president of Fresno County's Federal Land Bank, says.

U.S. farm productivity by acre, which has declined slightly from its peak, in 1982, can be expected to rise again soon, as new hybrids, growth hormones, and chemicals come onto the market. A little further down the road gene splicing might make possible entirely new strains of plants that could spark another Green Revolution. The problems of oversupply in the future could make those today seem like warm-ups.



THE ANNUAL CRISIS

SENATE MAJORITY LEADER ROBERT DOLE SAID RECENTLY that in every one of his twenty-five years in Congress there has been a farm problem. During the late 1940s President Harry S. Truman tried to cut back many farm subsidies and was rebuffed by a livid Democratic Congress. The Senate majority leader at that time, Scott Lucas, of Illinois, sounded very much like Dole when he complained of senators who "are constantly talking about economy in government . . . who have no hesitancy in getting off the economy bandwagon . . . to take care of their own communities . . . regardless of what the cost may be in the future." The Eisenhower Administration pushed through some farm-support cuts in 1953, but when it tried to go further, in 1958, it was defeated. That year Senator Allen Ellender, of Louisiana, argued, "This is not the time to lower prices farmers receive, particularly when farm income is already at an all-time low." New Deal descendant Lyndon Johnson moved to cut farm subsidies by \$540 million in the budget he submitted in 1969, just before he left office. Nixon angered farmers with his attempts to change farm programs. Carter, a farmer, not only asked that subsidies be cut but stood fast during the 1979 tractorcade, refusing to make significant concessions.

The job of secretary of agriculture has chewed up most of those who have held it. Truman's "Brannan plan," named for Agriculture Secretary Charles Brannan, became a euphemism for political lunacy, the racetrack MX of its day. Radical farmers like some members of the American Agricultural Movement point to Eisenhower's Ezra Taft Benson as the first mastermind of the anti-farm conspiracy. LBJ's Orville Freeman, whose affiliation with the Minnesota Democratic Farmer Labor Party was beyond reproach, got into trouble by suggesting that cotton growers cut their prices in order to compete in the world market. Carter's secretary, Bob Bergland, who himself had been a farmer, ended his term amid acrimony. Now Reagan's secretary,

John Block, formerly an Illinois hog farmer, is an object of scorn for having gone along with Reagan in the effort to cut farm subsidies. Block has hardly been helped by the fact that his former business partner, John Curry, was a plunger who bought up land with FmHA assistance and then defaulted. Every farmer I met in the Midwest knew about this case; some spoke of Curry as if he were a poisonous snake.

Partly because of the continuous anxiety to which they are subject, farmers have a long history of crying wolf. The agriculture committees, staffed by farm-bloc congressmen, do too. In 1965 a report of the House Agriculture Committee warned, "Hundreds of thousands of our most progressive farmers will find their debt positions intolerable and will be forced into bankruptcy"—language almost identical to that used last winter.

Checking old newspapers, I found that farmers have been proclaiming the "worst year since the Depression" regularly since the early 1950s. Reporting that placed the claim in historical perspective was rare, except for the occasional "down with farmers" piece that exaggerated in the other direction. Covering agriculture is a delicate matter for journalists, and especially for television crews. Someone who loses a farm loses his job, his home, and his way of life all on the same day. It would seem heartless of a reporter to mention that disposessions are the exception or that thousands of other people experience tragedies that are of equal weight but that simply don't fit a news peg.

"They're taking away my land" is a plaintive cry of farmers, and when true, it's terrible to hear. Often it isn't true. A farmer who defaults on his loan is not losing his land so much as some part of his investment in it. The bank is the true owner of the farm, just as ultimately it is the owner of a mortgaged house.

Through the 1970s the farm bloc complained that farmers were being destroyed by inflation. Senator Jesse Helms, of North Carolina, who is the chairman of the Senate Agriculture Committee, said in 1981, "Farmers understand that unless this inflation is cured, they don't stand a chance." Now that the cure has taken effect, the *lack* of inflation is said to be a special hardship for farmers. Similarly, cries of "foul" were heard in response to the escalation in farmland prices while it was taking place, even though it was making holdings more valuable. Four years ago Catherine Lerza, the head of the National Family Farm Coalition, declared that high land prices had created a crisis for farmers. At about the same time Representative Berkley Bedell, of Iowa, proposed a \$250 million Beginning Farmers Assistance Act to subsidize purchases of farmland. Now, of course, it is the decline in land prices that is said to pose a crisis for family farmers.

Using the Department of Agriculture's parity tables, some farm advocates claim that farmers are worse off today than ever. Parity tables are supposed to show the buying power of farmers; 1910-1914, when farm prices were strong, is taken as the base period and given a value of 100.

In 1984 parity hovered around 58—that is, farmers had 58 percent of the buying power of their forerunners decades earlier. Figures like these are extremely misleading, however, because calculations of parity treat the present as if it were 1914. For example, they take into account the fact that tractors cost more but not that they do more. Parity makes an effective round of political ammunition, but it is not a reliable indicator on which to base policy. One farm-state congressional staff member told me, “Any farmer who seriously believes he would be living twice as well if it were 1914 again is crazy.”

At a House Agriculture Subcommittee hearing in February, I gave up trying to count the number of times words like *desperate*, *disaster*, *unprecedented*, and *dying* were used. Representative Steve Gunderson, of Wisconsin, asserted, “Clearly, within the credit crisis confronting agriculture we are literally facing the fundamental destruction of rural society.” Representative E. Thomas Coleman, of Missouri, declared that “farmers are faced with such high interest rates, declining land values, and low return for their products that they are reliving the Great Depression of the 1930’s.” At this hearing and throughout the battle over emergency aid, farm-bloc congressmen repeatedly predicted that as many as 10 percent of the nation’s farmers could go bankrupt by March 1—the traditional deadline of banks for issuing spring planting loans—if substantially more than \$650 million was not provided. A bonus-credit-aid bill was passed but Reagan vetoed it. The first of March came and went, the wave of foreclosures that was supposed to sweep the country did not occur, and the story vanished.

Resisting pressure for spending is a recurring challenge in Washington, and the ability of even conservative Republicans from farm country to forget their speeches about deficits and call for more agricultural subsidies has been remarkable for years. Farmers make powerful claims on the legislature in part because they make up a high percentage of the population in rural communities. In heartland congressional districts almost everyone is tied to the farm economy. No other constituent group—not auto workers in Detroit or gas producers in Louisiana—places such a statistical lock on its representatives.

Another running theme in Washington is the demand for a crackdown on rampant waste in somebody else’s program. Farm groups are among those who have most vociferously protested the federal debt, which contributes to high interest rates and the strength of the dollar. But they also want more spending for farms, which would drive the deficit up. Last winter five of the country’s largest agricultural associations formed a lobby called the Balanced Bud-

get Brigade. While some spokesmen were making the rounds on Capitol Hill, demanding that the deficit be slashed, others were demanding extra credit aid. During his appearance on *Nightline* Governor Janklow sneered at Congress’s failure to balance the budget—a feat that even New Right thinkers admit will be out of the question for many years—and boasted that states balance their budgets. Janklow didn’t add that the main reason why state budgets are balanced is that federal grants supply 18.5 percent, on average, of state revenue. If a cosmic philanthropist made an 18.5 percent contribution to the federal budget, then the federal budget would also balance.

FINDING SOLUTIONS FOR A CHRONIC PROBLEM LIKE agricultural overproduction can vex democratic systems, which almost inevitably focus their attention on the demands of the moment. “Every time we do a farm bill, the short-term outlook—what happens one year down the road—overwhelms all other considerations,” William Hoagland, the deputy staff director of the Senate Budget Committee, who was raised on an Indiana farm, told me recently. “In 1981 all we talked about was inflation, which turned out to be a moot point almost immediately after we finished debating it. This year it’s debt. What we want from agriculture, what our long-term goals ought to be, stands no chance [of consideration], compared to whatever was in that morning’s paper.”

Eventually Congress will have to face the fact that there are too many farmers. The farm bill that Reagan has proposed, which in effect would abandon those parts of the federal program that subsidize the least successful farmers, may not be perfect, but so far it is the only one to concentrate on the problem of overproduction. The solutions to that problem do not lie solely in the realm of economic abstraction. They will involve a painful human cost. If the Reagan plan or something like it is enacted, Dennis and Patricia Eddy, for example, may lose their farm. That would not be a happy day for them or for any caring citizen. But the Eddys are young, responsible, bright, and eager to work. If they can’t land on their feet, who can?

Early this year Representative E. Kika de la Garza, of Texas, the chairman of the House Agriculture Committee, said he might support changes in federal agriculture programs, but only if they could be achieved “without sacrificing one single farmer.” This is like saying, Let’s cut back that bloated defense budget—as long as no contractors lose work. There can still be family farms. It’s just that not every person who wants a farm can have one, no matter how fervently we might wish he could. □